

**United States of America
Before the Department of Energy**

Maestros Group, L.L.C.

Docket No PP-242

Application for Presidential Permit

**United States of America
Department of Energy
Office of Fossil Energy**

[Maestros Group, LLC]

No. PP-242

**APPLICATION FOR PRESIDENTIAL PERMIT
IN COMPLIANCE WITH EXECUTIVE ORDER NO. 10485**

Maestros Group LLC, an Arizona limited liability company ("MG"), pursuant to Executive Order 10485, as amended by Executive Order 12038, hereby applies for authorization from the Department of Energy ("DOE") for the construction, operation, and maintenance of facilities for transmission of electric energy at the international boundary between the United States and Mexico. Approval for the export of electric energy from the United States to Mexico is sought in an Application for Authorization to Transmit Electricity to a Foreign Country and filed simultaneously herewith.

I. BACKGROUND

Maestros Group L.L.C. ("MG" or "Company"), is an independent power producer organized under the laws of the State of Arizona, engaged in the business of providing electric utility service at wholesale. MG is authorized to conduct business in the state of Arizona.

MG proposes to construct a nominal 500 MW power plant in the vicinity of Nogales, Arizona and a 230 kV transmission line from the power plant's switch yard south to the U.S.-Mexico border (collectively the "Ambos Nogales Generating Station" or "ANGS"). The ANGS will use natural gas as its sole fuel. The purpose of the transmission line is to supply electric capacity and energy to Mexico. The sole purpose of the 500 MW power plant is for export to Mexico. An additional 100 MW of generating capacity is proposed to be constructed at the same site, with this capacity dedicated solely for use within the United States. The 500 MW of generating capacity proposed for export to Mexico would not be connected to the U.S. grid.

The ANGS is scheduled to begin operation in 2004, depending on turbine availability, and will supply electricity to the northwest Mexico power grid. The Comision Federal de Electricidad ("CFE") is considering offering, through a bid process, to purchase 250 MW for 25 years. The bid process will determine who will construct, operate, and own the electric transmission line from the international border to CFE's grid tie in Mexico.

Siting of the power plant in the U.S. will allow interconnection to a United States main gas (El Paso) pipeline, which provides multiple fuel options. In addition, better financing terms are available by having the facility located in the United States. Future expansion of the power plant to accommodate U.S. markets may be contemplated.

II. CONTENTS OF THE APPLICATION

In support of its application, MG states as follows:

Exact Legal Name

MG's exact legal name is Maestros Group, L.L.C.

Name, Post Office Address and Telephone Number of the Person to Receive Correspondence

Mr. Hugh Holub
Maestros Group L.L.C.
1881 N. Mastick Way, Suite 400
Nogales, AZ 85621

Foreign Ownership of MG or its Facilities

MG is not owned wholly or in part by a foreign government or directly or indirectly assisted by a foreign government or instrumentality thereof. At the present time, MG does not have any agreement pertaining to such ownership or assistance from any foreign government or instrumentality thereof.

MG is currently the sole project developer. Negotiations are currently occurring that could result in the establishment of a project company consisting of MG and one or more additional entities, which project company would develop and own the power plant. MG is seeking an ownership structure which could better insure the opportunity for maximizing the full benefits to the Ambos Nogales communities through options for "community equity" participation. One or more of these entities may be owned in part by a Mexican company. In the event of formation of the project company, all ownership entities will be disclosed to the DOE.

Existing Contracts with Foreign Governments or Foreign Private Concerns

At the present time, MG has no contracts in force with any foreign government or any foreign private concerns relating to the purchase, sale or delivery of electricity. Any such contracts that may become effective in the future will be disclosed to the DOE.

Showing of Legal Capacity

As shown in the attached signed Opinion of Counsel (see Appendix A), the construction, connection, operation, and maintenance of the proposed facility is within the corporate power of MG, and MG has complied with or will comply with all pertinent Federal and State laws.

A Description of the Generating and Transmission Facilities through which the Electric Energy Will be Delivered to the Foreign Country, Including the Name of the Owners and the Location of Any Remote Facilities

In anticipation of transmitting electric energy to the Comision Federal de Electricidad ("CFE"), MG proposes to construct a combined cycle gas turbine electrical generation station of a nominal 500 megawatt capacity in Nogales, Arizona, with a double circuit, 230 kV, 60 hertz overhead electrical transmission line to interconnect with the existing CFE electrical transmission system in Nogales, Sonora, Mexico at a CFE substation approximately 2 miles south of the border, or to such locations as will be specified in the CFE bidding requirements.

There is a potential for double circuit 230 kV transmission system between the CFE substation in Nogales, Sonora to CFE's existing substation in Santa Ana, located some 60 miles south of the international border should future demand warrant.

The interconnection would cross the United States - Mexico border at Latitude North 31 19' 58" and Longitude West 110 58' 49".

Three generating plant sites are under consideration:

Site A is located approximately 9 miles north of the border east of the Interstate 19/ Ruby Road Interchange. Nine miles of double circuit 230 kV transmission line would be required to reach the border, plus the 2 miles of transmission line to connect to the first CFE substation.

Site B is located approximately 9 miles north of the border south and adjacent to Ruby Road and east of the Coronado National Forest Boundary. Nine miles of double circuit 230 kV transmission line would be required to reach the border, plus the 2 miles of transmission line to connect to the first CFE substation.

Site C is located immediately adjacent to the U.S.-Mexico border, and approximately 2 miles of double circuit 230 kV transmission line would be required from the plant site to the CFE substation site. The U.S. portion of the transmission line would be less than 1,000 feet. Site C is the preliminary preferred alternative

A new high pressure natural gas line would be required to serve all proposed sites, connecting the sites to the El Paso Natural Gas (EPNG) pipeline south of Tucson, Arizona. Site C can be accessed from an existing EPNG pipeline and right-of-way, which already crosses the border. Sites A and B can be accessed from the existing EPNG right-of-way via a pipeline east along the alignment of Ruby Road. MG filed during the most recent "open season" on the EPNG, requesting 100 million cubic feet per day of gas supply for the ANGTS. MG and EPNG are currently in negotiations for a long term supply and transportation agreement.

Cooling water for the ANGTS would be provided from treated and reclaimed wastewater

("effluent") produced at the Nogales International Wastewater Treatment Plant ("NIWTP"). Site A is approximately 6,000 feet south of the NIWTP, Site B is approximately 2.5 miles west of the NIWTP. Site C is 9 miles south of the NIWTP. A pipeline with the capacity to carry 3 million gallons per day of treated wastewater is required for the cooling water.

The effluent is subject to the rights of Mexico under Minute 276 to the 1944 Water Treaty Between the United States and Mexico which provides Mexico the right of recapture of the entire 9.9 mgd of flow (the "Mexican Treaty Water") produced at the NIWTP from sewage originating in Mexico. MG has commenced discussions with the International Boundary and Water Commission and the Comision Internacional Limites y Agua ("CILA") regarding obtaining rights for the utilization of 3 mgd of the Mexican Treaty Water. MG has proposed accessing the cooling water through: (a) payment of the Mexican obligation for treating a discharge of 9.9 mgd of wastewater to the NIWTP; (b) plus payment to the United States Section of the International Boundary and Water Commission ("USIBWC") for the U.S. cost of treating the 9.9 mgd of wastewater from Mexico; and (c) together with a flow guarantee of a minimum of 6.9 mgd of treated wastewater into the Santa Cruz River for environmental protection purposes.

In summary, Site A only requires 6,000 feet of treated wastewater pipeline, but requires 9 miles of double circuit 230 kV transmission line to reach the United States - Mexico border. Site B requires 2 miles of effluent line and 9 miles of electric transmission line. Site C requires 9 miles of treated wastewater pipeline, but less than 1,000 feet of electric transmission line to reach the border. MG is currently in the process of determining which site is the most environmentally and economically suitable for the construction of the ANGS.

The 500 MW of ANGS export generation will be synchronized and delivered to the CFE grid. **At no time will the U.S. and Mexican electrical systems be tied together.** If, after considering the nature of the interconnect between the ANGS and Mexico's CFE grid, the DOE still requires additional design data, it will be provided when available.

A separate 100 MW generating station is also proposed to be commonly sited with the ANGS, and connected to the existing electrical system of Citizens Utilities ("Citizens") to supply power to the Santa Cruz County, Arizona, service area. Citizens has an existing 115 kV transmission line crossing Site A. Site B is 2.5 miles from an existing Citizens 115kv line. Site C is located less than 3 miles from Citizens existing Valencia power plant. At no time would the 100 MW of United States generating capacity be simultaneously tied to the U.S. and Mexican electrical systems.

The proposed in-service date for this facility pending approvals by Federal, State and local agencies is expected to be on or before December 31, 2004. The electrical generation station may be constructed in its entirety or, depending on economic and other business conditions at the time, may be constructed in phases.

MG does not have any current plans to increase generating capacity beyond 500 MW for export

to Mexico and 100 MW for use in the U.S. If or when any additional generation is proposed, MG will submit requests and documentation to all appropriate authorities for supplemental approval.

A general area map and a detailed map showing the physical location, latitude and longitude of the facility on the international border. The map shall indicate the ownership of the facilities at or on each side of the border between the U.S. and the foreign country. The maps, plans and description of the facilities shall distinguish the facilities or parts thereof already constructed from those to be constructed.

See Appendix B for General Map and Details.

Information Regarding Environmental Impacts

The Environmental Assessment ("EA") Report which will be filed later pursuant to this application will contain the information requested concerning environmental impacts.

The EA will identify the environmental impacts of the facilities, including identification as appropriate of floodplains, wetlands, critical wildlife habitat, Indian lands, or historic sites which may be impacted by the proposed facility. The report will address minimum ROW width for construction, operation, and maintenance of the transmission line, the treated wastewater line, and the natural gas pipeline. The report will also contain a list of threatened or endangered wildlife or plant life which may be located along the proposed routes.

The corridor area in which Sites A, B and C for the generating facility, the 230 kV transmission line, and the treated wastewater line each would be located has been previously studied under the Ambos Nogales Facility Plan. That study was conducted by the United States Environmental Protection Agency and USIBWC relating to the decision to upgrade the wastewater treatment capacity at the NIWTP and to construct a new 9 mile wastewater pipeline from the border to the NIWTP. The EA for that project did not identify any significant environmental issues in the corridor; and that project received a Finding of No Significant Environmental Impact.

The new natural gas pipeline would be constructed on the existing ROW owned by EPNG to Ruby Road, thence along the Ruby Road alignment to Site A or B; or to site C which straddles the existing EPNG ROW. The selection of the final ROW alignment would be done in conjunction with EPNG, with selection of the preferred route based on minimizing environmental impacts and proximity to residential development, in consultation with environmental and community interests along the gas line ROW corridor.

The treated wastewater discharge presently occurring from the NIWTP, currently consists of approximately 9.9 mgd of treated wastewater originating in Mexico and subject to recapture rights by Mexico under Minute 276, and approximately 4 mgd of treated wastewater originating within the City of Nogales wastewater service area, for a total of approximately 14 mgd of treated

wastewater discharge. The NIWTP is in the process of being upgraded at an expected cost of not less than \$36.5 million to meet more stringent discharge standards under the Clean Water Act and State of Arizona Aquifer Protection Permit standards. This upgrade is intended in substantial part to reduce ammonia and nitrogen levels in the treated wastewater discharge. The Santa Cruz River below the NIWTP discharge point includes habitat for a number of endangered species fish and birds.

Under the existing Treaty Minute 276 there is no long term flow guarantee requiring the discharge of any of the 9.9 mgd of treated wastewater currently being discharged to the river by Mexico. There is also a significant operation and maintenance budget issue associated with the upgraded NIWTP inasmuch as the United States and Mexican share of the costs to treat the 9.9 mgd of wastewater from Mexico is expected to increase from approximately \$1 million per year in 2000 to \$2 million per year by 2004 when the upgrade to the NIWTP is completed.

A fundamental goal of the ANGS project has been to address the operation and maintenance costs to treat the Mexican wastewater to insure water quality in compliance with not only the Clean Water Act, but the Endangered Species Act as well. This is proposed to be achieved by using 1/3 of the Mexican Treaty Water as cooling water for the ANGS, which would export electricity to Mexico, and obtain a flow guarantee of the remaining 2/3rds of the Mexican Treaty Water for environmental purposes in the U.S. Currently, approximately 2/3 of the Mexican Treaty Water is pumped from the Santa Cruz River in Mexico, upstream from the NIWTP and the United States - Mexico border. The remaining 1/3 rd source water for of the Mexican Treaty Water is pumped from a river basin (Los Alisos) wholly inside of Mexico. The ANGS project, in effect, represents an opportunity to repatriate a national water resource of Mexico in the form of energy, tied to recognition that the bi-national shared water resource of the Santa Cruz River is protected.

The \$3 million projected treatment cost of the entire 9.9 mgd of effluent controlled by Mexico translates into roughly \$1/MW/hour.

In previous decisions by CFE to award bids for energy purchases in Mexican border cities (i.e. Mexicali), treated wastewater is to be used as cooling water, to absorb the treatment costs into power rates. Thus, the concept proposed by MG has been implemented by Mexico within its own territory. The only difference is that USIBWC and CILA are required participants under Minute 276.

MG has proposed the location of the ANGS in the United States to assure compliance with strict United States and State of Arizona air quality standards. Even though Mexican air quality standards are in fact equivalent to United States standards, location of the facility in the United States assures "sunshine law" access to compliance records, and citizens suit enforcement, which are not currently available to residents in Sonora.

The Ambos Nogales area is a PM-10 "non-attainment area" due primarily to dust from unpaved roads and automobile and truck exhaust, as well as wood smoke from Mexico, according to

studies conducted by the Arizona Department of Environmental Quality ("ADEQ"). The increase of natural gas supply to the area is expected to have positive air quality benefits.


New pipeline.

MG will comply with all aspects of analysis and review necessary to conform with the National Environmental Policy Act (NEPA) under 10 CFR 1021 as deemed necessary by the DOE. It is anticipated that the DOE will determine the appropriate studies to support the level of necessary NEPA review for this project and assist MG with compliance.

RESPECTFULLY SUBMITTED

This 7th day of May, 2001

By



Lee Ann Ayers, for the
The Maestros Group, LLC

APPENDIX A

STATEMENT OF OPINION FROM LEGAL COUNSEL

OPINION OF COUNSEL


The undersigned, being Vice President and General Counsel of Maestros Group, L.L.C., an Arizona limited liability company, (the "Company") states and gives his opinion pursuant to 10 CFR Section 205.322 (a) (6), as follows:

(A) that he has examined and is familiar with the corporate and legal powers of the Company, pursuant to the Company's Articles of Organization and Operating Agreement;

(B) that he has examined and is familiar with the contents of the Company's Application for Presidential permit, to which this Opinion is attached as an Appendix;

(C) that in his opinion the construction, connection, operation and maintenance of the facilities as proposed in said Application is within the corporate and legal power of the Company; and,

(D) that, with respect thereto, the Company has complied and will comply with all pertinent federal and state laws.

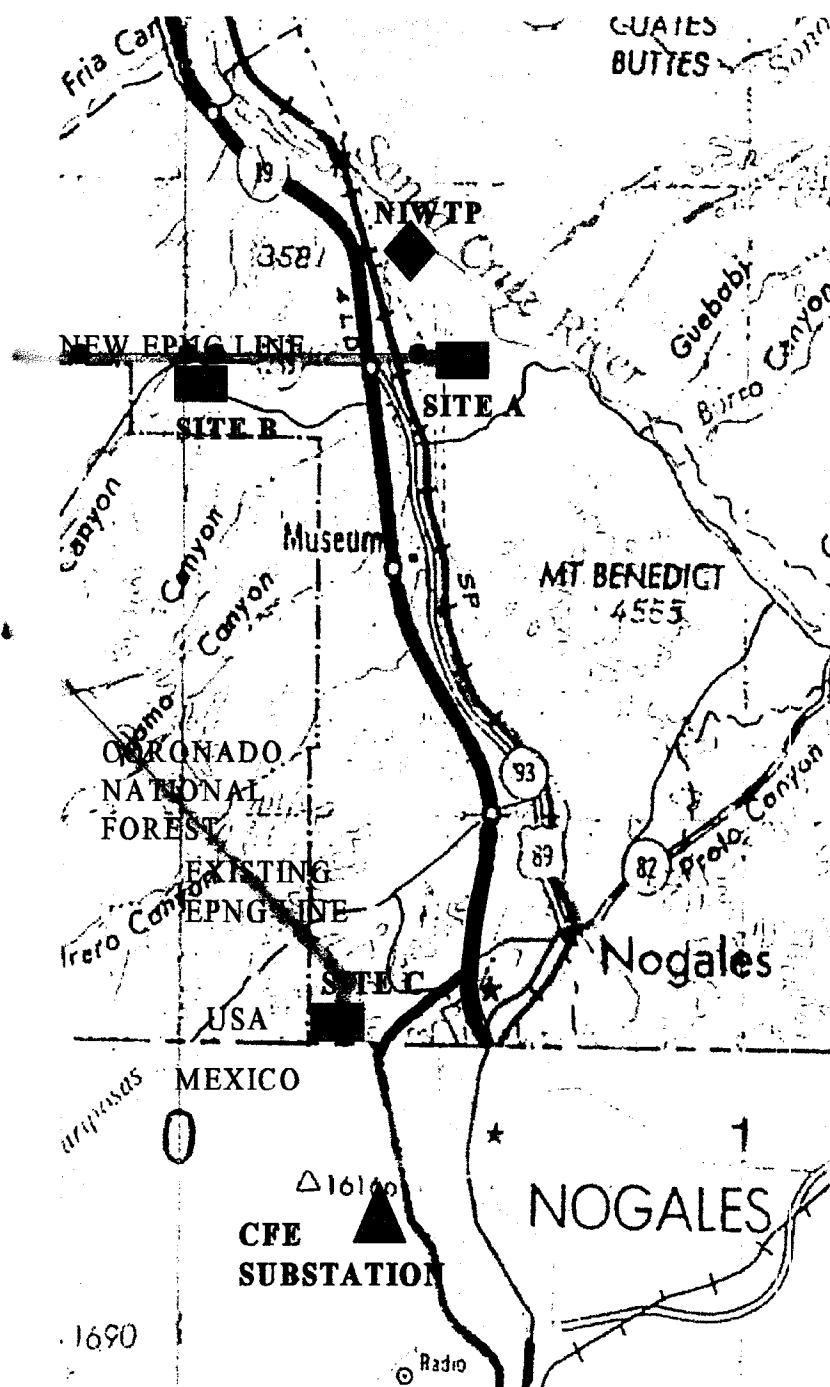


Hugh Holub
Vice President and General Counsel
Maestros Group, LLC
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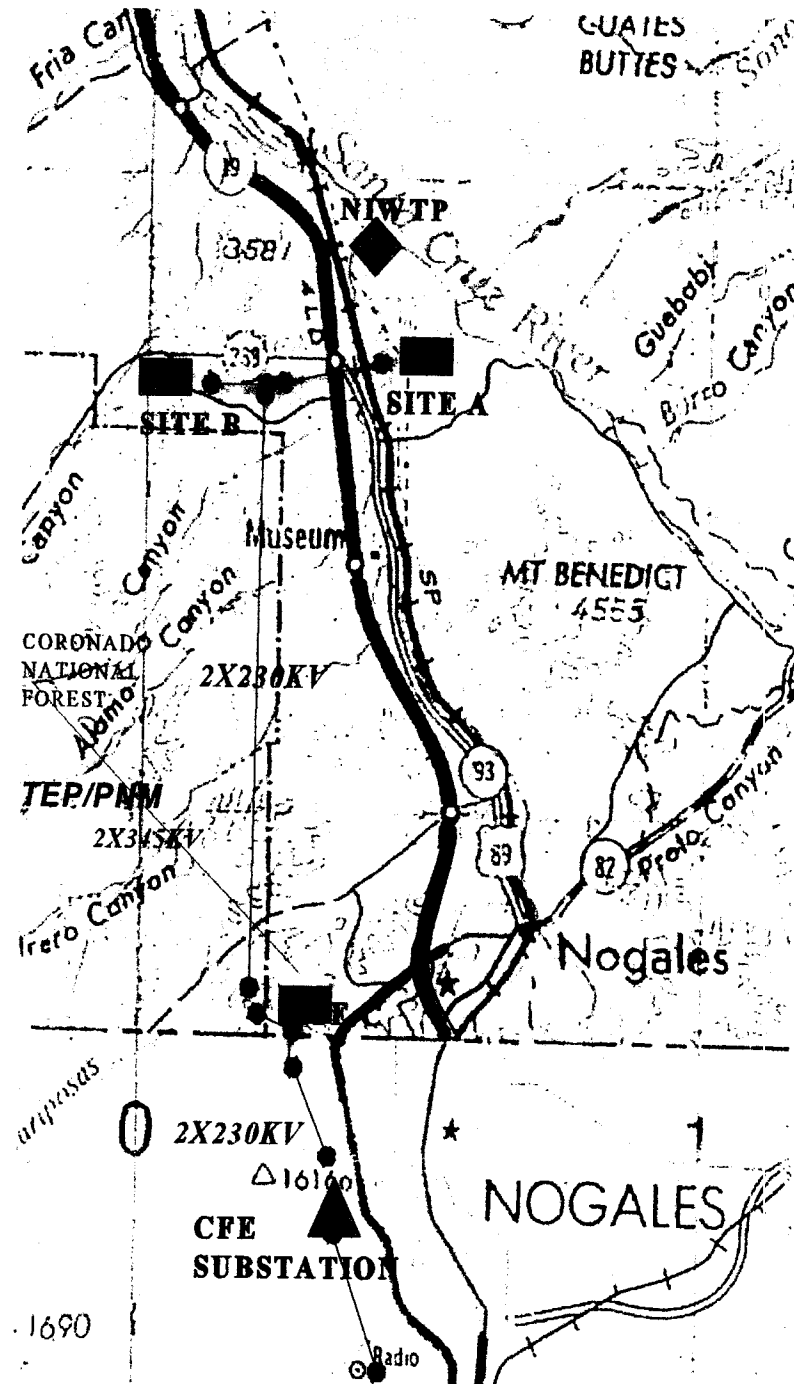
May 4, 2001
Date

APPENDIX B
GENERAL AND SPECIFIC MAP

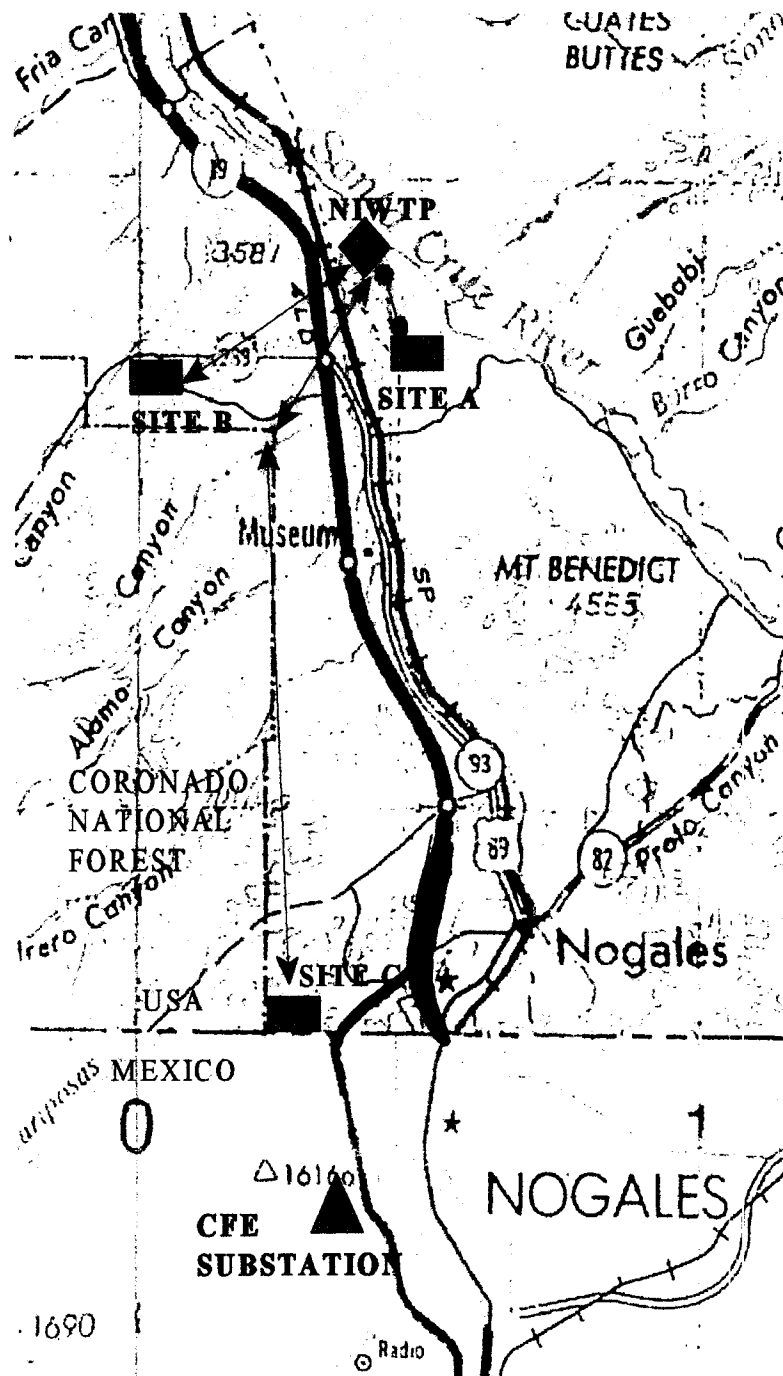
GAS LINE ALTERNATIVES



TRANSMISSION LINE ALTERNATIVES



EFFLUENT ALTERNATIVES



DETAIL MAP

